Debate on Market Socialism

Alec Nove

Beyond the Market? comments on Boris Frankel

The editors have asked me to comment on Frankel's Beyond the State?, since Frankel devotes several pages to a criticism of the sort of arguments which I advanced in my Economics of Feasible Socialism and in some other works. The key issue is evidently the relationship between socialism and the market mechanism. Frankel also criticises the ideas of many other thinkers, and challenges some aspects of Marxist orthodoxy. Let me say at once that I found his work refreshing, vigorous and honest.

Agreements

He devotes much space to a criticism of received ideas about the state, and he is right to do so. Its role in modern societies, in East and West alike, is very different indeed from the 'orthodox' models, both of Marx and of the 'ideal-type images of capitalism' of 'Chicago' laissez-faire. The traditional distinctions between the state and 'civil society', between base and superstructure, are in urgent need of drastic amendment. Frankel rightly focuses on many confusions: should (for instance) a movement such as Poland's 'Solidarity' be demanding freedom of social institutions from the state, or control by society over the state? What role should the state, and state planning, play in models of socialism which stress the autonomy of self-managed productive units? Perhaps, as he claims, 'stateless socialism will probably only guarantee unfreedom and inequality.' What, within any sort of class analysis, should be the status of state employees, which in more developed countries constitute a sizeable percentage of the total workforce? Evidently, such categories as 'exploitation' and 'surplus' value do not relate to them. A large part of our economy no longer fits into the Marxist division of it into 'Departments I and II'. These and some other 'sacred cows of Marxian orthodoxy' must be abandoned, argues the author. It is not my intention to enter more deeply into discussion of these matters, only to stress that Frankel is fully justified in raising these issues, and does so in ways which stimulate and inform.

Who is 'productive'?

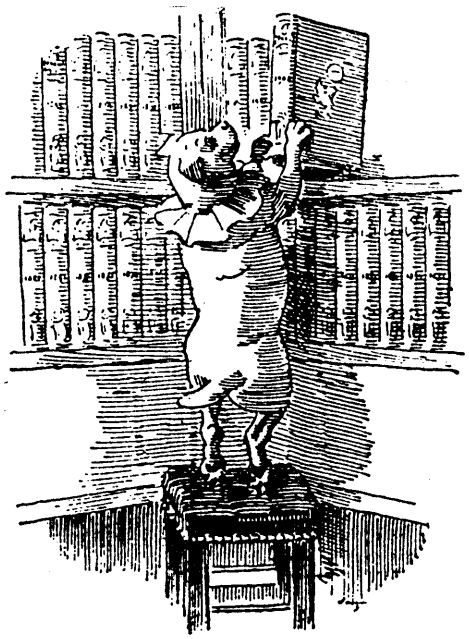
This reader was, however, worried about his retention of one element of the dogmatic tradition: the treatment of 'unproductive' (or non-surplus-generating) labour. The problem here is not one of the typical employee in the public sector: obviously, a hospital nurse, probation officer, city architect, street sweeper, tax inspector, do not generate surplus value in any sense of the word, and their incomes evidently arise out of taxation. Marx, as is known, treated as 'productive' any activity which generates surplus value, but made a (to me) illogical exception of 'circulation'. This was a consequence of his insistence that the processes of circulation do not add to value. This meant that, according to the orthodox tradition, private employers in the 'sphere of circulation' do not exploit their employees, that they live on the surplus generated in the productive sphere. Surely this 'sacred cow' is also in urgent need of quick and painless liquidation? It is noteworthy that the Soviet theorist, Isaak Rubin, includes in his tightly-argued work on Marxian value theory a remark to the effect that he does not agree that labour in circulation does not create value; yet Rubin is in other respects a close follower of Marxist orthodoxy. Barazov, a follower and translator of Marx, criticised his illogical and contradictory handling of 'the sphere of circulation' already in 1899. Let us make a list of a few familiar 'circulatory' employments: shop assistant, travel bureaux, estate agents, consultancies, building contractors, advertising offices, etc. The importance of these and similar activities in our society are well understood and stressed by Frankel, but it leads him to the conclusion that 'most capitalist enterprises do not extract surplus value, but circulate commodities and provide services' (p. 116, his emphasis), and do so at a profit. This makes no sense to me. If the owner of an estate agency or travel bureau makes a profit, and does not 'exploit' his own employees, then whence the profit? Are he and his employees living on a surplus created by productive workers? Which productive workers would these be, and why? This is an unsustainable distinction. Marx's identification of productive labour with exploited labour led Bukharin to quip that a prostitute working on her own is unproductive, and one employed for profit in a whorehouse is productive. I am not enamoured of the distinction, but let us be consistent: anyone employed to provide goods or services for sale by someone for that someone's profit should be considered by sensible and non-dogmatic Marxists to be generating a surplus appropriated by his or her employer, whatever be the nature of that employer's activity. We shall see that this confusion will make its reappearance in Frankel's view of a socialist economy.

Plan versus Market

However, my main bone of contention is the plan versus market dichotomy, which Frankel discusses with skill, making a real and honest attempt to come to grips with the essential points in his argument. In this respect he differs from some incurable dogmatists, for whom the word 'market' sets up a sort of ideological-emotional storm, with the

result that slogans replace thought. Yet he still, in my view, comes down on the wrong side of the fence. Possibly this is because he does not fully grasp the nature of the economic problem in its quantitative, qualitative and technical aspects.

Let me divide my counter-argument into several parts, and begin with the vital issue of scale. Frankel is envisaging a modern industrial society, in a large country. So we have to contemplate (say) a hundred million economically active persons, working in perhaps 100,000 enterprises and institutions of many kinds, providing thousands of different kinds of goods and services, which will run into many millions if fully disaggregated (e.g. brown boots of size 9, different makes of carburettors, inoculation serums, etc. etc.). The provision of each good and service requires that a number of material inputs be provided and assembled. The tasks of coordination, of ensuring that means are made available to reach specified ends, not to speak of determining what these ends should be, are of truly gigantic dimensions. It is not only as a joke that the Soviet academician Fedorenko once remarked that a disaggregated, balanced, coherent plan for next year, based on a full analysis and checking of the needed information, might be ready in 30,000 years' time, and this with the help of computers! Soviet plans are frequently unbalanced, lacking coherence, aggregated, because next year's plan must be ready next year. The democratisation of political system, while highly desirable, would not make the task of plan-coordination any easier. This task is hierarchical, not because the hierarchs wish it to be so, but because the functional necessity of marketless planning makes it so. Also, in the real capitalist world, not all decisions are left to market forces: many are administered, within hierarchically structured corporations.



Decentralisation?

How is all this to be 'decentralised'? Regional associations can identify the needs of a region, but, unless one imagines regional autarchy, it will still be necessary to incorporate the satisfaction of these needs in the plans of enterprises located in other regions, and they in their turn will require inputs from sources of supply outside their region. There is a potent centralising logic about the marketless economy. The powerful critique of 'really existing socialism' by Feher, Agnes Heller and Markus is entitled Dictatorship Over Needs. It is true that the political system in the USSR is that of a dictatorship exercised by a single party, and that the people's votes do not determine economic priorities. But, firstly, no Marxist should be surprised if the political system reflects the hierarchical nature of its economic base, and, secondly, how precisely is the people's democratic will to 'translate' itself into micro-economic operational instructions? How are the extremely varied needs of millions of individuals to find their effective expression? If these needs were to be identified, whose responsibility would it be to ensure that they were met, and that the means to meet them were provided to the hundreds of thousands of enterprises of all kinds whose job it is to manufacture, build, process, transport, inform, distribute?

In this context, the notions of 'conscious, deliberately planned (non-market) exchanges' (p. 240), or 'parallel pyramids (sic) of local, regional and national workers' councils, consumer councils and industry councils ... along decentralised lines but linked vertically within federal structures' (p. 241), or 'central planning ... based on producers acting as social individuals ... based on labour-time accounting' (p. 245) all seem patently inadequate. Where is the decision-making power to lie? Who can enforce decisions, upon whom? Is there not, underlying such phrases as those just cited, the notion that under socialism people will see clearly what is needed (and the order of priority of the satisfaction of needs), will somehow discover the best way of providing for these needs, and be quite clear about their own role, as individuals, without any binding instructions? For reasons expounded at length in my book, this is an unreal utopian fantasy, so long as there is relative scarcity and therefore opportunity cost. I argued that this is not a question of counterposing individual and social: we all, in our most personally-unegoistic moments, tend to identify with the needs we know, for which we feel responsibility. We cannot, in normal circumstances, be aware of the vast number of alternative uses to which resources for which we ask might be put. Anyhow, the thousands of units responsible for actual production of and investment in energy, say, or footwear, must be informed by someone what to do, whom to supply, from whom to draw their supplies. Allocation by planners seems the only alternative to sale-and-purchase, i.e., to market relations of some kind.

Verbal exchange?

Ah, argues Frankel, to produce for exchange does not amount to a market. But what sort of exchange has he in mind? Let us see things from the angle of vision of the producing unit. Their products could be oil, shoes, sulphuric acid, restaurant meals. Whom are they to exchange these with, and how? Surely not by some primitive and clumsy barter mechanism? Why was money invented all those thousands of years ago? In Marx's utopian vision there is plenty to satisfy any reasonable need, and the productive units (unproductive units too) simply draw what they require from the ample storehouses, with advance knowledge of the requirements for their goods and services. This is at least a logically coherent fantasy. Frankel's is not. How on earth is one to fit 'conscious deliberately planned exchanges' into the reality of everyday life? You run a restaurant, one of thousands. You need a hundred and more ingredients, ranging from sausage-meat to mustard, not to mention frying-pans and fuel. Since the customers have choice, you should try to vary the menu with their preferences in mind. You can buy these inputs, or alternatively a planning authority authorises each procurement decision, while simultaneously instructing your suppliers to supply you. So long as there is opportunity-cost, i.e. so long as there exist some mutually alternative uses for resources, it is always possible that some person or institution will not be supplied, unless a decision is taken by someone who can ensure that it is implemented. This 'someone' must have knowledge of alternatives and of need. 'Implementation' could mean either contractual obligations or an administered duty, these being, if necessary, enforceable. One cannot have a democratic vote (where? by whom? why?) to abrogate a contract or a delivery obligation, even if it happens to be inconvenient to some of those involved. Of course one hopes that a sense of responsibility to one's fellows will cause people to observe the rules without any sanctions,

just as I try to deliver this Ms. to you in time even though you cannot sue me if I fail to do so. But it would be wrong and irresponsible to base one's model of a socialist economy on the assumption that everyone will always know what it is right to do and will then do it. The more so because the immense complexity of a modern economy prevents most people from knowing what is the most expedient action. To take any decision one needs information, and to act upon it one requires both motivation and means.

Money and choice

Let us approach the same issue in a slightly different way. You are now a local authority, or a group of citizens who have formed a producers' cooperative. You observe that some good or service seems to be either in short supply or deficient in some desired quality. You wish to act upon that knowledge. To do so you must be able to obtain a number of material goods. Any acceptable form of socialism requires - in my mind - that citizens be free to decide to supply their fellow-citizens with any non-noxious goods or services, and this requires that they be able to obtain the necessary means. How, other than by purchase? Why not defer to 'producers' preferences'?

Citizens as individuals, or as groups, are consumers of goods and services, as well as producers. 'Producers' preferences' must, of course, relate to how one produces, not what one produces. In the latter respect the user's needs and preferences are primary. How, should and can they be expressed? The workforce will need some means of exercising choice. Is there any practicable or desirable alternative to paying them in money? It makes no difference, of course, if one calls it by some other name, such as a 'token', so long as it does provide choice, and permits the expression of intensity of desire, which is measured by the willingness to spend one's income on specific goods or services. This seems elementary. The French radical thinker, Castoriadis, who views markets with evident distaste, saw no alternative to allowing citizens to spend their incomes as they think fit; and he noted that in this area one cannot have decision by majority vote, since minorities are also entitled to claim their share of resources (e.g. for works by Shostakovich, long skirts, pickled herring, or whatever). Yet here is Frankel speaking of a 'transition from wage-labour to payments in kind' (p. 266). Socialist ration books? Non-transferable tokens earmarked for specific items? If I am a non-smoker, am I to go to a consumer supply office and ask for permission to exchange these for extra coffee or liquor tokens? This is a nightmare, which would surely be unacceptable to any sensible worker. He or she will feel instinctively that, when goods and services are 'free', one takes what one is given.

Or let us consider a different but related point. Suppose that citizens see a profitable opportunity to supply some good or service, or to buy and resell something. They would need, in Frankel's world, to be prevented from doing so by the constant vigilance of a 'socialist' police. True, he does, on page 239, accept the temporary existence of 'a small private sector of (market-based) simple commodity exchange', based on the family, but insists that this should cover 'a very small proportion of total output' (p. 239). Presumably the thought of someone actually employing five people he would regard as intolerable; he would call in the police. They would be then very busy combating the daily or hourly resurgence of the petty bourgeoisie. This is a prospect that appals rather than appeals.

The necessity of markets

It is not enough to dislike the market. It is indeed necessary to be aware that its operation can have some undesirable consequences. It is just that all practicable alternatives are worse. I agree entirely with Frankel that 'socialist anarcho-liberalism', which ignores the vital role that must be played by the state, is a gravely deficient concept. Together with others whom he labels 'market socialists', I envisage a model in which plan and market coexist. It is not either 'democratic central planning or market socialism' (p. 228, my emphasis). These are not alternatives. In modern capitalism one has both market relations and administered hierarchical subordination, and the choice between these methods (and such intermediate categories as subcontracting) depends on the nature of the sector and of the decision. So under a realistically conceived socialism one can and should envisage major investment decisions (e.g. in the energy sector) to be taken at the centre, while central planners should not be involved in decisions on the product mix in the textile or farm-machinery industries, let alone in the acquisition of sausages or saucepans by restaurants, or the allocation of sulphuric acid to a chemicals factory. Frankel keeps imagining that the 'democratic central plan' should take priority over the sectional interests expressed by groups of producers or consumers, in pursuit of the 'general interest', and also of equality.

On equality more will have to be said. But we must have clarity about what sort of conflict between partial and general interest Frankel has in mind. That such conflicts occur and will occur is, of course, true. Congestion, polution, regional-locational policies, other external economies and diseconomies of many kinds, are indeed important issues, and I am well aware of them. However, to take into account all external effects is a counsel of totally unrealistic perfection. In no economy can this be done without intolerable cost and equally intolerable delay. It is necessary to identify likely areas of decision where externalities will be significant. One then introduces regulations (e.g. on pollution, location, etc.) within which market forces can operate. Thus one could ban industrial projects from Mexico City, Paris, Budapest, Moscow, and create favourable conditions for investment in provincial areas, without eliminating economic-monetary calculation. Similarly, one can (one should) exempt medicine and education from market criteria, and still have market forces active in guiding the providers of medical equipment, school desks, laboratories. Frankel is concerned that this will be incompatible with the degree of necessary central planning. I agree that there can be tensions at the 'join' between market and plan, but there need be no insoluble conflict, so long as it is appreciated that the market will provide essential information to the planners about the needs of producers and consumers, and that it will usually be the planners' duty to respond, unless there are specific reasons to the contrary. Thus suppose that analysis of the market situation (conjuncture) leads to the conclusion that more sulphuric acid, winter overcoats or the collected works of Shakespeare are needed, and that this calls for investment to expand the capacity of the chemical, wool-textile and printing industries. In the name of what principle should the 'democratic central planners' refuse to act accordingly? They could indeed direct the investments to an area where there may be some unemployed resources. Be it noted that in the absence of a capital market, major investment decisions would 'belong' to the central planners. Yes, the information provided by market analysis is often imperfect, but even more imperfect are any known alternatives. Frankel refers to 'desynchronisation of Processes' in our society, but he agrees that mistakes and imbalances cannot be excluded under socialist planning too. Perfect planning is as unattainable a goal as a perfect market. His critique of 'market socialism' seems to drive him towards a high degree of centralisation. To repeat, I accept that the state would have to play a vital role. In my book I cited Tinbergen on this very point: 'It is highly improbable that the proponents of a laissez-faire theory of self-management are right. It can be convincingly shown that in an optimum order some tasks must be performed in a centralised way...'. With this I agree strongly. But Tinbergen would doubtless deny that this remark was intended to be an argument against the extensive use of the market mechanism. Self-management without any market can only be spurious. Self-management with no planning and no state would come quickly to grief,

and indeed speedily lead to intolerable inequalities and distortions.

Winners, losers and rough justice

A market implies and requires a degree of competition. There will be gainers and losers. There will be some inequality. But at least in theory it is possible to make corrections. Some inequalities are plainly due to what could be described as natural causes: advantages in soil fertility, location, accessibility, modernity of equipment, etc. It is perfectly possible to eliminate these by some species of rental payments or similar forms of transfer, and this has been repeatedly proposed by Soviet reformer-economists. This would leave differences due to skill, effort, ingenuity, knowledge of market conditions (and, inevitably, also luck). One cannot eliminate these without eliminating material incentives. It is also true that successful self-managed and cooperative enterprises, and any private enterprises or craftsmen, might make a lot of money if they take advantage of shortages; but such shortages would be due to past error and omission (notably by planners), and the high profits would be a temporary quasi-rent, which would stimulate others to provide more of the goods and services in question, while providing signals to the planners. All such excesses of inequality can be moderated by personal and corporate taxes, but, true enough, inequalities cannot be eliminated, any more than one can decree equilibrium in a dynamic economy.

Competition is non-socialist? Please, then, imagine user or consumer choice without competition between suppliers. If a customer can say: 'I am not satisfied with A, I prefer to obtain my supplies from B', then A and B are in a competitive situation, are they not? One cannot eliminate competition without eliminating choice.

Frankel rightly raises the question of employment and unemployment. Unemployment is one of the problems which the planners must indeed handle. Left totally to itself, the market (especially in this age of computers and automation) may lead to highly undesirable consequences. But here again the intensive plan can include incentives for employment, as well as the undertaking of labour-intensive activities of many kinds, ranging from beautifying the landscape to kindergartens. A problem indeed, but why an insoluble one?

Direct realism

One other problem that looms large in Frankel's account seems to me to be largely unreal, a consequence of the error analysed earlier concerning the distinction between productive and unproductive labour. Most people in a socialist society cannot be 'direct producers', he writes. Indeed, most people in advanced capitalist societies are not 'direct producers' either, in the narrow sense adopted by Frankel. How should one finance 'non-surplus-value-producing workers'? He implies that they must all be 'carried' by productive enterprises, i.e. be maintained out of the surpluses they generate, in a market-socialist model. But surely one must distinguish between paid and unpaid services. A great many so-called unproductive services are and will be paid for by the individuals and institutions using them. This would apply to hairdressers, dry-cleaners, consultants, travel agents, shops, quantity surveyors, building contractors, authors, singers, telephonists. Of course, some important sectors do and will provide free services: staffs in medicine, education, public parks, social security, state and local administrators, judges, traffic police, and so on. But will they necessarily be much more numerous than they are today in Western Europe? The question of what services (or goods) are to be supplied free is a matter which would require democratic decision. One can imagine an extreme egalitarian model in which nearly all needs are provided without any payment, and the citizens would receive some sort of pocket-money to spend on personalised luxuries, or in the very limited market sector which Frankel is prepared to tolerate. Then indeed the 'direct producers' (and with them all other working citizens), as well as productive enterprises, will 'bear the burden of carrying the rest of the population' (themselves too!), but I strongly suspect that ordinary citizens will be much less attracted to these extremes of levelling than are left-wing intellectuals such as Frankel. A balance can be struck between the need for redistribution and the need for incentives. In the process, the words 'direct producers' will surely make less and less sense. Why is a worker in a factory making hair-clippers productive and a hairdresser is not? Far better make the distinction between those who provide goods and services for sale or exchange, and those who work in institutions that must be maintained out of some form of taxation.

So, to conclude, while a strong state and a central plan would be needed in any socialism that I can conceive of, so would autonomous producers whose link with their customers and suppliers would be contractual, thus of the market type. OK, this will raise problems and some predictable frictions and contradictions. But the alternatives are either worse or impracticable.

Finally, may I be allowed one personal complaint. While in Frankel's text my ideas are criticised in a scholarly and reasonable way, in a footnote on page 314 I am reproached for my 'vulger critique of Habermas'. Really? My offence was as follows. In a paper which discussed the issue of realistic criteria, and which formed part of the Festschrift for Richard Löwenthal, I cited his critique of Habermas's conception of 'substantive democracy', which he (Löwenthal) regarded as 'utopian-idealist'. I commented that 'Habermas would presumably disagree, and the argument would then turn on the possibility of alternatives, i.e. in a sense on counter-factual history' (Political Economy and Soviet Socialism, p. 219). Why is this a 'vulgar critique' on my part? Löwenthal can speak for himself, but I had made no critique at all, vulgar or otherwise.

The Historical Obsolescence of Market Socialism — a reply to Alec Nove

Boris Frankel

I am very pleased that Alec Nove has responded to the criticisms I have made of market socialism and what he calls 'feasible socialism'. It is only through a frank and honest exchange of views on the respective merits and weaknesses of central planning or market socialism that the cause of socialism can be advanced. Both Nove and I share a profound dislike for the way that Soviet central planning works. Yet I regard Nove's 'feasible socialism' as a response to developments in Eastern Europe, rather than an adequate alternative to existing capitalist societies. I will therefore attempt to show why 'feasible socialism' is not only too conservative, but historically obsolete.

Beyond the State? Summary

In the third part of Beyond the State?, I criticise various alternative economic programmes as well as long-term images of socialism. Basically, I support some of the specific initiatives proposed within alternative programmes, but I do not believe that these attempts to combat unemployment and cuts in social welfare etc. are compatible with a smooth transition to socialism within a capitalist society. They are necessary antidotes to capitalist restructuring, but must be freed of the naive belief (held by Bennites, Eurocommunists and Eurosocialists) that these alternative economic policies will resolve massive social problems in the mutual interests of both non-monopoly capitalists and the working class. In pursuing anti-capitalist short-term policies we must become aware of both the impending instability of these alternative economic programmes, and also their explicit connection to notions of market socialism which I believe are historically obsolete - given the nature of contemporary social, ecological and other crises. In this respect, Nove's 'feasible socialism' shares common problems with alternative economic programmes even though there are significant differences between the former and the latter. In subsequent chapters I go on to analyse the major weaknesses of stateless socialism (in its anarchist or self-management forms), market socialism and decentralised planning without market mechanisms. I explicitly argue against those who believe in a non-hierarchical, non-wage-labour economy. I also argue against people such as Nove and Brus because of my doubts concerning the possibility of maintaining the dominance of central planning while market mechanisms govern a large sector of the overall economy. While I see the necessity of market mechanisms in a small sector of the society, I believe that the Brus and Nove models lead to the dominance of market mechanisms or the reduction of central planning to the ineffective versions of indicative planning which have already failed in Western Europe (especially France). Finally, I admit to being attracted to decentralised planning, but explicitly reject the adequacy of Albert and Hahnel's 'parallel pyramids of local, regional and national worker's councils, consumer councils and industry councils...', because of the need to also have strong central mechanisms for redistribution and foreign relations. Nove creates the misleading impression that Albert and Hahnel's 'parallel pyramids' is my position. In the interests of socialist pluralism, maximum equality and freedom, feminist and environmental values, I opt for democratic central planning based on new socialist state structures at local and national levels. I also advocate increasing payment-in-kind (while still maintaining wages as the primary index), decentralisation to the extent possible with overall central planning, and an explicit commitment to semi-autarkic goals - given the danger of supra-national political economic structures to local and national independent democratic decision-making and ecological well-being.

In analysing the various conceptions of market socialism, central planning, etc., I changed my mind several times, first opting for one and then the other, agonising over issues of equality, bureaucracy, national or international solutions and so forth. In my opinion, there is no more sobering experience than to digest the limited literature on market versus plan and confront the painful reality that all the books and slogans on freedom, morality, rights, etc. have to be readjusted to the necessities of a political economy under the conditions of scarcity. Because so few socialists have bothered to discuss the critical issues which Nove raises, our only practical examples are those perverted formations in Eastern Europe. But the problems which we face in the West are in many respects qualitatively different from those currently troubling Communist countries. Nove has not adequately distinguished the major political and material differences between Eastern Europe and OECD countries. In fact, Nove's work is conspicuous for its almost total neglect of the specific political situation in capitalist societies and the implications of the latter for the construction of a socialist economy. In concluding that democratic central planning was preferable to the other options, I was aware that central planning brought with it major dangers and problems, e.g. the temptation of the central planners to usurp total power unto themselves. But just as Nove argues that, despite the undesirable consequences of the market, 'all practicable alternatives are worse', I argue that, despite the negative problems associated with democratic central planning, all practical alternatives are worse.

It is also important to state that Nove and I agree that a major role will have to be played by new socialist state institutions, that some form of hierarchical decision-making process is unavoidable, that 'plans' and 'markets' are not mutually exclusive ahistorical models, but exist in specific historical combinations (e.g. in contemporary capitalist and Communist societies), and that it is foolish to believe that any plan or market can work in a perfect, trouble-free manner. The differences between us have more to do with

political forms, socialist end-goals and evaluations of the contemporary political economy of capitalist societies. All these differences are implicitly and explicitly built into our different approaches to central planning and market mechanisms. I will now take the opportunity of making these differences more explicit.

Productive and unproductive workers

At the theoretical level, Nove criticises me for retaining the distinction between productive and unproductive workers. He quotes my assessment that 'most capitalist enterprises do not extract surplus value, but circulate commodities and provide services...', yet leaves off the vital part of the sentence - 'their rate of profit is not directly determined by the diminishing pool of surplus-value, but by the rate of wages and rate of taxes, and costs of means of operation as expressed in real money or price terms' (p. 116). Nove says that this makes no sense to him. 'If the owner of an estate agency or travel bureau makes a profit, and does not "exploit" his own employees, then whence the profit? Are he and his employees living on a surplus created by productive workers? Which productive workers could these be, and why? This is an unsustainable distinction ... anyone employed by someone for that someone's profit should be considered by sensible and non-dogmatic Marxists to be generating a surplus appropriated by his or her employer, whatever be the nature of that employer's activity.'

Why is the distinction between productive and unproductive workers so important? From Nove's point of view, my 'unsustainable distinction' reappears in my analysis of a socialist economy and leads to a narrow conception of 'direct producers' and all other workers. Nove agrees that in a socialist society there will be many services (e.g. education, social security, medicine, state administration, etc.) which will be provided free of charge. But why, he asks,

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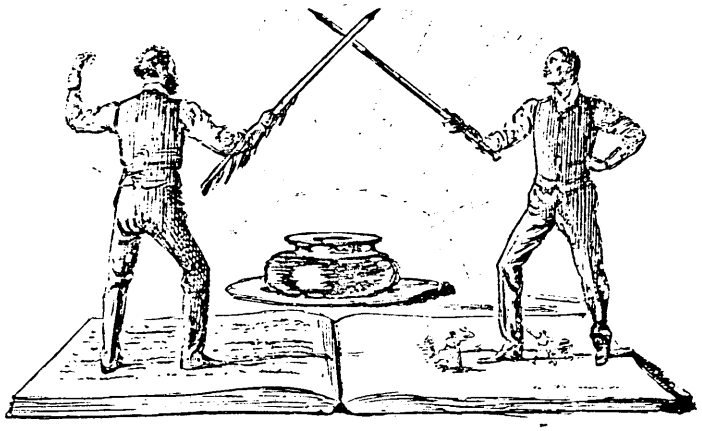

At last we come to the vital issues! What are the major differences between capitalist societies, existing Communist regimes, and socialist alternatives in regard to the size and nature of state sectors, forms of taxation, level of population in paid employment, orientation of economy (i.e. a semi-autarky or heavy integration with other economies) and so forth? It appears to me that Nove not only lacks an adequate explanation of the persistent crises in capitalist societies, but is unjustifiably optimistic about 'feasible socialism' resolving existing major problems.

In distinguishing between a minority of surplus-value-extracting enterprises and a majority of non-surplus-value-extracting private businesses (not to mention state sector institutions), I was concerned to move beyond the old mono-causal explanations of crises offered by orthodox Marxists, neo-Ricardians and others. I argue that Electoral, Production, Credit and Food Production Processes are subject to different forms of crises as well as having repercussions on one another. It is precisely the historical differences between capitalist countries in relation to forms of production, size and nature of state institutions, etc., which make some nations depend more than others on commodity production rather than speculative investment capital, on tourism rather than international loans. If Nove does not understand why many private enterprises do not directly depend on the extraction of surplus value, it is because he does not appear to understand the concept of exploitation as used by Marx. If we used Nove's distinction between 'those who provide goods and services for sale and exchange, and those who work in institutions that must be maintained out of some form of taxation', it would be extremely difficult to answer satisfactorily such questions as the following: Why is it that so many workers employed in retailing, services, tourism, etc. are laid off when workers in commodity production are sacked, or suffer reduced wages, higher taxes or other reductions in disposable income? If tourists ceased to come from other countries or parts of the same nation (where there is adequate employment, and therefore productive labour), who would consume the local tourist attractions? If all workers produced a surplus simply because they worked for a private firm, then we would have long ago had an extraordinary crisis in overproduction or, conversely, we would never have had all the periodic crises within capitalist societies!

Despite all the problems with orthodox Marxism, I am not prepared to abandon the distinction between productive and unproductive labour, especially as there is no alternative theory which adequately explains (a) the source of profits; (b) why capitalists constantly attempt to extract higher rates of absolute and relative surplus-value from certain types of labour; and (c) why these forms of increased exploitation are not implementable in non-surplus-value-extracting businesses. A capitalist firm may try to reduce the number of workers employed in sales, administration or security, or try to make these workers labour more efficiently; but higher efficiency is not equivalent to greater surplus-value production, just as higher profits can be earned without any new value being produced. Nove confuses the non-Marxian notion of exploitation with the specific meaning which Marx gave to the extraction of surplus-value. In Nove's ethical use of the term, most workers employed in state institutions would also produce a 'surplus' simply because they are exploited, collect fees or sell services, e.g. banking. However, Nove recognises that most state workers in capitalist societies are unproductive (in both the Marxian and non-Marxian sense), yet he fails to follow through the implications of market mechanisms and state sector employment for capitalist and socialist societies. If there are no differences between those workers who produce surplus-value and those who circulate, guard, service or administer commodity production, then any capitalist society should be able to survive without commodity production simply because everyone could be employed selling real estate or cutting hair! Nove is really quite inconsistent. On the one hand, he believes that everybody employed by a private firm produces surplus value, yet, on the other hand, he wishes to reject the distinction between the production of value and non-value work as a bit of Marxian dogmatism or metaphysics.

Nove's criticisms reveal a fundamental inability to explain the reasons why capitalist societies cannot survive simply by having people employed in services which are paid for (e.g. janitors, dentists, prostitutes). As Marx put it, 'the fact that with the growth of capitalist production all services become transformed into wage-labour, and those who perform them into wage-labourers, means that they tend increasingly to be confused with the productive worker...' <1>. If not all people employed in the services area produce surplus-value, it is clear that nearly every capitalist economy would not survive long if it imported all

its goods, or if everyone was employed as a teacher, hairdresser, travel agent or soldier. In so far as Nove does not appear to understand the dynamics of reproduction in capitalist societies, his conception of 'feasible socialism' must equally be subjected to rigorous scrutiny.

For the sake of discussion, let me accept Nove's rejection of the distinction between productive and unproductive labour and see whether his preferred distinction between 'those who provide goods and services for sale or exchange and those who work in institutions that must be maintained out of some form of taxation' overcomes major problems. In a socialist society it is possible to imagine a whole range of goods and services that will be paid for by individual consumers or socialist enterprises. Similarly, it is possible to imagine that free services (e.g. social welfare) will be paid for via tax levies on individuals and enterprises, or in the form of local or enterprise consumption funds. The more that income maintenance and free services have to be paid out of individual or local enterprise profitability, the more social inequality will eventuate, given the uneven strength of enterprises within particular markets. But if social welfare, education, public parks etc. are paid from national taxation funds, this presupposes an overall plan or conception of which goods and services are produced locally or nationally, which goods and services are imported, what the demographic ratio is between people in paid employment and those in unpaid labour requiring income maintenance, which people are eligible for communal income maintenance and which goods and services will be provided from communal resources such as tax levies. If Nove's 'feasible socialism' is based on the widespread existence of enterprises which operate according to the criteria of the competitive market, then labour-saving devices, tax minimisation schemes, etc. will govern these 'socialist enterprises', as profit maximisation and cost minimisation can only be ignored if market mechanisms can themselves be ignored, and most enterprises guaranteed survival by state subsidisation. But if government subsidisation averts bankruptcy and unemployment, then the advantages of market competition are eroded as workers fall back on national job and income maintenance schemes. Nove's 'feasible socialism' rests on the ability of the majority of 'socialist enterprises' to remain viable, generate sufficient revenue for 'social wage' goods and services, implement new technology required by competing enterprises in other countries (whether socialist or capitalist) and yet overcome the massive legacy of unemployment and near-bankrupt welfare budgets!

Market Socialism a false alternative to Soviet Planning

Because it is politically unpopular to advocate central planning (given the discrediting of Soviet planning), many people on the Left have welcomed Nove's 'feasible socialism' without appreciating the major weaknesses and limitations of market socialism. For example, Gavin Kitching regards Nove's arguments as unanswerable <2>, while Perry Anderson, despite his criticisms of Nove's lack of political strategy, raves about him (in contrast to the 'vacuities of a Crosland'), and declares that Nove has 'awakened us to our first real vision of what a socialist economy, under democratic control, might look like' <3>. In contrast, I would argue that Nove's 'feasible socialism' is almost as conservative as Crosland's Fabian image of socialism which was put forward in the 1950s. Of course, there are major differences between Crosland and Nove on a range of issues related to socialism.

But what is more important is the historical location and relevance of both Crosland and Nove. Today we can laugh at Crosland's naiveté in asserting (in 1951) that 'Britain had, in all essentials, ceased to be a capitalist country' <4>. Crosland's images of socialism were narrow and conservative: this was just as true at the time in the 1950s, as it is today. It was simply less evident to large numbers of people. The same is true of Nove's 'feasible socialism'. For millions disillusioned with the 'dictatorship over needs' in Eastern Europe, Nove's ideas are hailed as refreshing, luminous and full of clarity. But to anyone seriously concerned with socialist alternatives to current capitalist social conditions, Nove's proposals are already stale and historically obsolete. I do not have the space to go into a detailed critique of the conservative nature of Nove's 'feasible socialism', but I will indicate those issues and problems which Nove either neglects, underestimates or doesn't value as urgent priorities for socialists.

1. Paid and unpaid services

Most political economists who have discussed the problems of planning and market socialism invariably overlook or give second priority to social welfare and other such 'non-economic' issues. Thus, Nove's failure to discuss the enormous problem of unpaid services and unpaid labour is not unusual. I deliberately raised the whole issue of the relationship between productive and unproductive labour, and between 'direct producers' and other citizens, simply because most discussion has focused on workers employed in enterprises. But what of the millions of unemployed, underemployed and welfare-dependent in existing capitalist societies? Nove says that in a socialist society there will be many free services such as education, social security, etc. 'But,' he asks, 'will they necessarily be much more numerous than they are today in Western Europe?' I should bloody well hope so! Nove is either unaware of the enormous suffering experienced by millions on low welfare payments, in poorly paid jobs, etc., or he grossly underestimates the budgetary problems which would arise if any market socialist economy set about providing major improvements in child care, health services, social welfare and income support.

A policy which failed to improve dramatically the living conditions for millions on welfare, etc. in existing capitalist nations, not to mention the growing numbers of ageing or those made 'socially redundant' through market forces, could hardly be regarded as any more radical than Crosland's 'welfare state' - which was also put forward as the solution to poverty! Nove assumes that I am thinking of a socialist society 'in which nearly all needs are provided without any payment'. He goes on to say that 'ordinary citizens will be much less attracted to these extremes of levelling than are left-wing intellectuals such as Frankel.' But I am not envisaging a paradise where the vast majority enjoy the fruits of the labour of a small minority of 'direct producers'. Rather, I am deeply concerned about the failure of many socialists to consider the political-economic consequences of market socialism and the ability of such an economy (despite central direction) to meet the minimum needs of social welfare - assuming there will be enormous problems in this area inherited by any socialist society. But why can't all these problems be solved in a market socialist system? The answer has a great deal to do with the internal and external conditions of production which are likely to be experienced by any socialist government in the foreseeable future. I will return to these conditions shortly.

2. The anti-feminism of market socialism

It is no accident that most male political economists have neglected the central issue of social welfare in various alternative economic programmes or conceptions of socialism. In raising the vital issue of paid and unpaid services, I am aware that any party or movement claiming to be socialist in the 1980s will become irrelevant to more than half the population if it fails to address the crucial issues of unpaid labour, and widespread gender discrimination in the quantity and quality of social welfare, education, health and other services. The gender-blind nature of most market socialist proposals is equally evident when it comes to the issue of labour processes, occupational divisions, wage rates and conditions. First of all, we can safely assume that in the next twenty or thirty years there will be minimal changes in capitalist societies relating to the wide-

spread existence of wage inequalities, concentration of women in limited types of occupations, restrictions on policy making and general social inequality. A socialist society which comes into being against a general background of sexism, racism and other social discrimination, would have to make a major effort to overcome or drastically minimise these inequalities in the first five or ten years of radical restructuring. But if we look at Nove's five-tiered 'feasible socialism', it can be seen that most enterprises in the non-centrally-planned sectors would have autonomy in labour processes operating according to market mechanisms, with central controls remaining only over certain things such as taxes and income policies. Now imagine that all existing transnational corporations, medium and small businesses are converted into 'socialist enterprises', cooperatives, etc. It is possible that the government may institute an egalitarian incomes policy for all workers. But this is most unlikely, as it would undermine the so-called benefits of a free labour market which Nove advocates. On the other hand, tax policies could be implemented to create the incentive to hire more women or give them equality with males. But how much interference could the labour market tolerate before it ceased to have autonomy and local enterprise control? After all, we are not talking about discrimination in a few enterprises, but right across the whole society! Imagine that you are working in an enterprise which has to function according to market mechanisms; would you hire extra women, pay equal wages to women, retrain women for jobs currently dominated by males? Remember that all these proposals would cost more, perhaps reduce or seriously disrupt production, threaten enterprise profitability, threaten wage and bonus rates and so forth. In so far as workers in each enterprise have to weigh up the cost of each extra wage or production change against central government incentives or penalties, I believe that market socialism has an inbuilt structural sexism and racism which only greater control over the labour process could remedy. Any woman who does not demand from Nove or other market socialists a satisfactory account of how market mechanisms will overcome institutionalised discrimination is surrendering to vague moral slogans which 'feasible socialism' is unlikely to be able to fulfil.

But could a democratic, centrally planned society be less sexist than a market socialist society? Assuming that the level of consciousness was the same in both Nove's scenario and mine, I would argue that a society which was predominantly planned (and had only a small sector operating according to market mechanisms) would be much freer of precisely those structural features which would determine conditions of work in enterprises operating according to their own devices and standards. If enterprises were not threatened by bankruptcy or a drop in profits, a society committed to gender equality could pursue this objective in a manner which was free of the conflicting interests of market viability as opposed to central directives, or enterprise autonomy as opposed to national egalitarian values. It would be utopian to believe that serious obstacles to full gender equality would not exist under democratic central planning. But the whole relationship between paid and unpaid services, labour process conditions, etc., would not be circumscribed by market mechanisms having to be constantly policed and curbed by central administration (simply because, as market socialists themselves admit, market mechanisms will give rise to a range of social inequalities!). Anybody familiar with social welfare institutions in OECD countries is also familiar with what is called the 'feminisation of poverty'. A socialist society needs to be committed to a significant increase in precisely those jobs, services and practices which are usually incompatible with market mechanisms or market criteria - regardless of whether the markets are based on private owners or collective, 'socialist' owners.

3. 'Feasible socialism' in an age of capitalist restructuring

Not only is Nove's model conservative and neglectful of unpaid services and women's roles, but the whole thrust of his conception of 'feasible socialism' seems to suggest that his idea of socialist life is basically similar to that enjoyed by middle class people in capitalist societies - except that more people will enjoy this form of life, and the worst aspects of capitalist societies will, he hopes, be overcome or modified. His relatively uncritical reception of recent Hungarian reforms fits in with the conservative nature of 'feasible socialism'. It seems that Nove is more concerned about how Hungary can reach Western levels of consumption than with the glaring absence of socialist values (not that one could expect them to flourish under one-party dictatorships). But how can socialist relations flourish within societies committed to high levels of existing forms of consumption and high growth (in order to create employment in enterprises basically working to criteria of profit and domestic and international competition)? The answer is that they can't. Either we have more of the same quantitative values which have inspired orthodox Marxists, Fabians, Eurosocialists and Eurocommunists, or we consider how feasible is Nove's model in relation to feminist, ecological and anti-militarist values - to name but a few priorities.

Nove believes in small units, cooperatives and individual producers. He wants to maximise democratic control while satisfying customer preference and choice. But what are the historical conditions which would make this scenario possible? Nove would probably concede that a mixture of central planning and market mechanisms could only be implemented if a particular society had reasonable control over most of its productive capacities and resources. But he is also opposed to self-sufficiency scenarios. So this means that he envisages 'feasible socialism' to be implemented in a world (for the foreseeable future) consisting of both capitalist and socialist societies. (In this respect Nove and I agree: images of world revolution, stateless socialism and moneyless economies are irrelevant utopias.)

It is at this point that we come to the historical obsolescence of market socialism. I believe that we are living through a period which is increasingly characterised by the subordination of local and national industries to supranational integration. This process is far from complete, as most goods and services are still produced and consumed within their national boundaries of origin, and about a third of the workforce is also located in local and national state institutions. But for socialists who believe in the need for market mechanisms, it is difficult to envisage how 'socialist enterprises' could ignore the competitive forces of transnational exchanges, technological innovation, labour shedding, price cartelisation and other current practices. For example, look at the negative influences of capitalist production techniques and trade practices on regimes adopting market mechanisms in Eastern Europe. More importantly, how could central planning be effective in a socialist economy whose major enterprises were already structurally locked into transnational component production? This major obstacle would also face people wishing to construct a democratic central plan. But the difference between 'feasible socialism' and democratic central planning has much to do with short- and long-term goals. For example, if Ford or other transnational giants simply become 'socialist enterprises', and through worker control are able to continue most of their current practices, then one can be sure that feminist, ecological and non-imperialist objectives will never be attained.

I get little indication that Nove is opposed to further international economic integration or to many of the technological innovations introduced by capitalist firms. His five-tiered scenario is geographically and politically naive. It is not clear how medium and small businesses can provide millions of jobs to the unemployed if they have adopted market competitive labour processes. How can one have a viable manufacturing base, if deindustrialisation processes have created major forms of dependency before socialist policies are implemented? How can Nove urge a post-industrial socialism based on small units, while saying nothing about existing giant military-industrial complexes, the close relationship between military research and civilian

production, military exports, etc? If Nove believes in cooperatives, how will thousands of new cooperatives (a) find new markets to remain profitable; (b) employ large numbers of existing unemployed, when the major thrust of cooperatives (governed by market mechanisms) is to restrict the entry of new workers and to stringently reduce costs? Finally, does Nove envisage that most goods and services will be produced for domestic consumption (and governed by strict ecological standards), or is his 'feasible socialism' propelled by export-led recoveries, little variation in existing forms of Western consumption, and the continuation of transnational business practices (alias 'socialist enterprises') in Third World countries?

Geographically, does Nove envisage 'feasible socialism' within the whole EEC rather than in just a single nation state? If so, will market socialism result in planned deindustrialisation, e.g. steel, textiles, etc? On the other hand, the inbuilt dynamic of constant growth which governs market mechanisms makes the combination of national self-sufficiency and market socialism unfeasible. We have already witnessed one of the few disastrous attempts to combine market mechanisms and national self-sufficiency - namely the Nazi strategy of Grossraumwirtschaft (the economics of large areas) combined with the moral and political philosophy of Lebemsraum. At least the Nazi economic strategy was matched by an equally consistent though repugnant moral philosophy. Yet socialists continue to delude themselves that vital moral values such as those of greater equality and freedom, ecological sensitivity, feminism, anti-imperialism, democratic control over productive forces, are compatible with an economic order based on market viability. It is in this sense that Nove's 'feasible socialism' is historically obsolete. It is far too closely linked to many of the existent practices of capitalist market societies (even though Nove's scenario calls for extensive public ownership). Market socialism must of necessity give rise to the expansion of markets beyond national boundaries; 'socialist enterprises' must earn sufficient income to pay for all the services financed from taxes. The logic of market mechanisms is in many respects incompatible with values of solidarity, eqaity and care.

In a world where capitalist market practices are unable to create sufficient markets, jobs, welfare, etc., it is a giant leap in faith to believe that 'feasible socialism' (with strong central direction) can simply shed or transcend the key characteristics of the current historical period. Furthermore, Nove's conception of strong central planning is too vague. One gets the impression that many of the enterprises which Nove believes should be centrally planned (e.g. oil, banking, petrochemicals, rail) are already part of the monopoly sector in capitalist societies. Would they continue to determine the development of social production, thus effectively reducing the market sector to a secondary role in market socialism? If the market sector produced too many inequalities or failed to clear up the mess left by capitalist classes, would social pressure for jobs, welfare, socially useful goods, etc., result in democratic central planning, thus reducing market mechanisms to a small sector of the economy?

4. The political utopianism of 'feasible socialism'

Because Nove is preoccupied with Eastern Europe, he appears to be relatively unaware of the opposition in capitalist societies to even his conservative version of 'feasible socialism'. I will simply make a number of brief points to illustrate the lack of political reality in Nove's proposals. Which capitalist class is going to peacefully tolerate the overthrow of large sectors of private property? What kind of political representation does Nove envisage in a society divided between five different forms of ownership, control and participation? Why does Nove expect workers in centrally-planned institutions to tolerate directions from the centre while other workers are free to decide most of their own conditions? Will trade unions survive in all those cooperatives and small businesses whose structural features result in anti-union feelings? Nove says of Eastern Europe that 'no Marxist should be surprised if the political system reflects the hierarchical nature of its economic base...' But this economic determinist analysis assumes that it was central planning which created one-party dictatorship! It also naively assumes that market mechanisms must equal pluralism. There is no automatic correlation between market mechanisms and democracy as numerous dictatorial regimes in the West amply illustrate. With all the central directives and interventions necessary to avoid social inequalities and negative features of market mechanisms, what makes Nove think that workers living under 'feasible socialism' will be able to exercise self-management or be free of the 'visible hand' he so dislikes?

Nove's whole conception of 'feasible socialism' is single-mindedly oriented to economic mechanisms which avoid repeating the experiences of Soviet command planning. Yet there is no visible conception of alternative political structures in his work. There are no explicit priorities which the socialist movement should implement. Rather, 'feasible socialism' is a 'pluralist economism' which relies heavily on some mysterious quality inherent in market mechanisms combined with planning. But socialists must have, above all, clear goals and values. It is one thing to earn the label 'feasible' by paying due regard to realities; it is quite another to interpret it as implying the necessity of surrender to 'really existing capitalism'. Yet this is the consequence if one fails to appreciate how disastrous are the forms of restructuring presently implemented by capitalist classes. Far too many socialists have accepted the logic of this restructuring and bowed to the inhumane fetishes of growth for growth's sake, and national competitiveness through technical modernisation.

A place for markets?

Much of Nove's defence of market mechanisms is based on the so-called superior information process of the latter compared to central planning. He criticises me by giving the example of the restaurant and also the danger of ration cards if payment-in-kind replaces wages. Several brief points should be made in reply. (1) I do not advocate a society totally regulated by a central plan; restaurants as well as many aspects of food production will remain subject to a combination of market mechanisms and planning - simply because the food area is historically too sensitive to be totally subjected to non-market mechanisms. The lack of socialist consciousness in rural areas must be realistically reckoned with, if popular support for the new society is not to be undermined by serious food shortages. Restaurants, various services and crafts can easily be run by a few individuals or families; this small sector of the economy will continue to exist. Nove makes a reference to the need for 'socialist police' in Frankel's world. However, under 'feasible socialism', much to Nove's surprise, it is much more likely that the police will be called upon to fulfil similar roles to those currently performed in capitalist societies - namely, policing demonstrations by the unemployed, feminists, ecologists and others whose needs can not be met by the major presence of market mechanisms. (2) As I do not believe that wage labour can be abolished in the foreseeable future, Nove is being unfair when he equates increasing the proportion of payment-in-kind with ration books. Is it too much for Nove to imagine that the provision of housing, electricity, various communal services (e.g. transport) could be substituted for monetary payments such as rent, charges and fees? Even in capitalist societies, most of us already enjoy our standard of living through various public goods and services which are part of the 'social wage' rather than the money wage. A centrally planned society could significantly increase the ratio of 'social wage' to money wage. (3) Nove sets up two false equations: market mechanisms = free choice, while central planning = rationing and queues. The first equation is based on an idealised, if not ideological, version of the invisible hand; the second solely on the undemocratic central plan-

ning in 'really existing socialism'. For example, in capitalist societies, many pubs and restaurants have restricted choice because they obtain their mustard or meat from fast food chains or large food corporations. Rather than receiving specific ration coupons for bread or sugar, food stamp recipients in the USA can exercise a limited choice in supermarkets, thus showing that even capitalist societies can create alternatives to monetary payments. As for queuing and administrative delays, Nove himself found that the number of workers in clerical jobs and distribution was higher in the UK than in the USSR <5>. Lack of goods in shops is not due solely to lack of workers in distribution. But democratic planning could certainly allocate more workers to ease distribution problems. (4) One should not confuse central planning with Soviet central planning. In Eastern Europe central planning and market mechanisms are both overdetermined by political control mechanisms. A socialist society based on pluralist political and social structures does not need to maximise social control mechanisms by trying to plan everything - from haircuts to the number of teeth extracted. Central planning must be combined with decentralising planning goals of self-sufficiency in basic material resources and services. Political pluralism would maximise local administrative control over social and communal services, while central planning would maximise redistributive needs in regions and localities unable to meet criteria of self-sufficiency. However, as Nove is opposed to self-sufficiency, he is left with national market mechanisms rather than combinations of local and national planning structures. Moreover, as Nove lacks an explicit set of socialist goals or objectives, 'feasible socialism' aims to deliver a combination of existing modes of consumption with modified 'socialist' enterprise mechanisms. It is thus firmly locked into the existing trajectory of both capitalist and Communist (e.g. Hungarian) paths of development.

The necessity of autarky

In conclusion, let me offer a (currently unfashionable) view on democratic planning. If socialists are in agreement that a new society must have a strong central plan (even Nove believes this), then we must ask ourselves what are our main planning objectives? If we wish to maximise social equality and democracy, establish new gender and race relations, prevent ecological disasters and nuclear war, gain control over local and national resources (for political independence), then 'feasible socialism' is not only inadequate, but positively destructive of these very important socialist priorities.

For too long socialists have believed that a socialist world could replace the capitalist 'world market' - which indeed is often fancied to be its foundation. But global material production and interdependence must provide the basis for a nightmare, if one still envisages a world central plan, or a world of soviets, or a world of market socialist nations all competing with one another. No country can be self-sufficient. But the goal of maximum self-sufficiency and limited trade with other nations is one of the few alternatives to the bankruptcy of the Soviet model, Eurocommunism, etc. In contrast to 'feasible socialism', which locks us into existing forms of market integration while most likely doing little for all the unemployed and social welfare populations, a semi-autarkic socialist strategy forces socialists to confront the task of constructing alternative socialist state institutions at local and national levels. Socialists have to make the choice between promoting supranational integration at the technical, trade, political and military levels (variations of EEC, COMECON, NATO, etc. while hoping these are compatible with local democracy), and semi-autarkic goals.

Nove is oriented to large societies (he speaks of economies with 100 million active workers). But only the two superpowers are this big. Most capitalist societies have considerably fewer economically active persons, and it is therefore necessary to think of their capacity and ability to develop socialist objectives which enhance domestic sovereignty. If socialists try to maximise social equality by attempting to create dynamic export-oriented industries (i.e., earning revenue to pay for 'social wage' services), then we will simply have a future which is qualitatively indistinguishable from Mitterand's France. It is not competition which is inherently bad. Rather, socialists must confront the truth that the world does have limited resources, that there is no likely administrative structure which could make either central planning or market socialism across the whole of Europe (let alone the whole world) anything but a bureaucratic nightmare, and that the so-called superiority of market mechanisms becomes regressive when enterprises efficient on its criteria perpetuate unemployment, sexism, environmental destruction, class inequalities and existing levels and forms of consumerism. A post-industrial socialism must begin at the national level. It must base itself on socialist values, rather than aim solely at administrative and informational efficiency and perpetual economic growth. The Hungarian model will eventually stagnate through increasing dependence on the West; but even as it booms there is a perceptible decay in even the pretence of maintaining socialist values. On the other hand, national semi-autarky can only be constructed by a major attack on existing social, economic and political priorities. It is not a model for national chauvinism, as an internationalist and co-operative consciousness can and should be promoted. But if socialism is to become a reality in a world characterised by capitalist global restructuring, by the bankruptcy of existing models of socialism, by the naive alternatives of many Greens such as Bahro <6>, by the deep-seated conservatism of many labour movements and so forth, then socialists will have to reconsider radically many long-held images of socialism.

While I can envisage a world of co-operating nation states, I know of no socialist model with even a minimum programme based on social welfare, redistribution, feminist and environmental values, and which is at all compatible with market socialist plans, supra-national central planning or stateless forms of self-management. Only a centrally-planned semi-autarky is compatible with real social and political control over local and national resources. Such a society has the best chance of making a viable break with the existing forms of irrationality in both the West and the East. The mere attempt to conceptualise a semi-autarky forces socialists to go beyond vague slogans. As nearly all contemporary Eurosocialist and other alternative programmes are structurally locked into organisational objectives predetermined by capitalist classes within the EEC and elsewhere, it is imperative that real alternatives emerge rather than the temporarily attractive, but conservative and obsolete, versions of 'feasible socialism'. After all, Nove's 'feasible socialism' is just as politically remote as my democratic semi-autarky. But, as they say in the market, why settle for second-best when you can have a model that is oriented towards the future rather than the past?

(**Acknowledgement.** I would like to thank Alan Roberts for his valuable comments.)

Footnotes

1 K. Marx, 'Results of the Immediate Process of Production' in Capital Vol. One, trans. B. Fowkes, Penguin Books, Harmondsworth, 1976, p. 1042.
2 G. Kitching, Rethinking Socialism, London, Methuen, 1983, p. 42.
3 P. Anderson, In the Tracks of Historical Materialism, London, Verso, 1983, p. 100.
4 Quoted by V. George and P. Wilding, Ideology and Social Welfare, London, Routledge and Kegan Paul, 1976, p. 69.
5 See A. Nove, Was Stalin Really Necessary?, London, 1964, Ch. 15.
6 In a forthcoming book (The Post-Industrial Utopians, Polity Press, 1985) I have made a detailed evaluation of the strengths and weaknesses of people such as Bahro, Gorz, Toffler and other 'post-marxian' and 'post-industrial' theorists.

Additional note re Nove and Habermas. Alec Nove is correct in stating that he merely quoted Löwenthal on p. 219. But on p. 238 he once again refers to Löwenthal and Habermas's 'political utopianism', thus giving the impression that he also subscribes to Löwenthal's vulgar critique of Habermas. If I have misunderstood Nove, then I offer my apology and withdraw the offending comments.

Response to Boris Frankel's Reply

Alec Nove

May I echo Frankel in at least one respect? A frank and honest exchange of views is a good thing, and should help to clear our minds. I will concentrate, in my reply, on a possible future 'feasible socialism', leaving aside the complex problems of what he calls 'antidotes to capitalist restructuring', or 'the specific political situation in capitalist countries', and immediate policy alternatives for left-wing parties today. This is not to deny their evident importance.

Frankel believes that what can be called for short 'market socialism' is a historically obsolete concept, and that as I derive it primarily from the study of the need to reform Soviet-type economies. It is true that a study of the operation of such economies provides the background and motive for my search for alternatives, but in what sense is the 'market socialism' idea 'obsolete'? The last person to make a similar criticism of my work on this subject was an intelligent and articulate stockbroker; for him what was obsolete was the notion of socialism. Modern capitalism had all the answers, in his view.

The Missing Model

My basic problem in answering Frankel is that he has hardly begun to sketch in his alternative model. I am sorry to have attributed wrongly to him the phrase about 'parallel pyramids' of councils, etc., but just what has he in mind? 'Decentralisation to the extent possible with overall central planning' means little unless and until much more is said about what the central planners should be planning, and how plans are to be implemented, on the basis of what information. I agree, of course, that any freedom to take decentralised decisions, whether by local committees or by economic enterprises of any sort, could result in actions which could be inconsistent with a central plan. This can happen partly because of limitation of knowledge (one knows one's own locality or business best), and partly due to differences of interest, complicated by the great difficulty of identifying the common interest. But how can this be avoided? The attempt in the Soviet Union to overcome this problem by an all-embracing hierarchy fails to resolve it, because of what I have called 'centralised pluralism': the centre is itself divided functionally, and there is inter-departmental and inter-regional administrative competition for resources. To say that the USSR lacks genuinely democratic institutions is both true and, in this context, irrelevant: freedom for citizens to organise in interest groups would in no way simplify the elaboration of a central plan!

Frankel is 'attracted to decentralised planning', and agrees that 'plans' and 'markets' are not mutually exclusive. Good. The question is then: how can productive units, or local communities, decide in a decentralised way what they should be producing, and obtain means of production, other than through some form of market mechanism? Conversely, what should the central planners be planning, in respect of current output and its disposal to its various users? In my model the centre directly plans the current output of only a few 'centralisable' sectors, such as energy, and, naturally, does so taking demand (expressed via the market and in other ways) into account. The centre would be greatly concerned with major investment decisions, with income distribution, welfare, etc. I wish that Frankel would tell us more about what other productive functions the central planners should be performing, also how and why. I will come to welfare problems in a moment.

The 'unproductive' question

But first, let me dispose of the issue of productive versus unproductive labour. Frankel's point was that, under 'market socialism', the very large unproductive sectors would have to be sustained by the productive workers, and that this would be both difficult and unpopular. As he now also argues that capitalist crisis is somehow connected with the growth in the proportion of those engaged in unproductive labour, let me try to sort out what I believe to be a genuine confusion.

Frankel should recall that Marx usually treated labour in the service sectors as productive if employed for profit, e.g. the clown in the circus, or hairdressers working for a firm, making a not-very-logical exception only for that part of circulation that consists of buying and selling. Consequently, I think it is inconsistent to treat businesses which make profits as 'non-surplus-value extracting'. Some Marxists, it is true, regard only the 'direct producers' of material goods as truly productive, omitting even the office staffs of unmistakeably productive enterprises such as steel and chemical firms, as well as all providers of non-material services. But surely this is analytically and politically foolish. Of course, tourism and haircutting would suffer if 'many workers in commodity production were sacked'. (So would workers in 'commodity production' who were making hair-clippers and building hotels if tourism and haircutting were depressed, but let that pass). It is equally true that those engaged in transport of goods would have fewer goods to transport if there were fewer goods. So what? The relative numbers engaged in manufacturing and agriculture ('direct producers') have been falling in every developed country. The numbers in so-called tertiary occupations have risen sharply. So has the share of total profits originating in the tertiary sector. With the exception of Great Britain in the last few years, this has been accompanied by an increase in output of both manufactures and

agriculture. What has changed is employment. Suppose that robots replace manual labour in factories on an ever-increasing scale. Is it Frankel's belief that the sharp resultant reduction in the relative number of 'direct producers' would mean that the remaining manufacturers (the robots too?) now have to carry the burden of generating the entire surplus needed to sustain the entire tertiary sector? Surely this is nonsense! (Unemployment is a different issue.)

In the context of our discussion, the essential distinction is surely between what people pay for and what is provided free. Free goods and services (also pensions, etc.) must be provided out of a surplus that must be generated somewhere. A steelworker who buys a week at the seaside pays the tourist enterprise, and it makes neither sociological or economic sense to suggest that the tourist enterprise and all its employees subsist out of the surplus value generated by the steel or any other materially-productive industry. Ownership is also irrelevant in this context. A Spanish or Bulgarian hotel (or telephone, or postal service, or electricity supply) may be state-provided, but their products or services are bought, they usually yield a profit. The French régie des tabacs, the Tsarist vodka monopoly, provided much revenue for the state budget, and surely this surplus was in no sense generated from within the private sector.

So the key question is: what should be provided free, by whom, and how should the costs be covered? I agree that if 'welfare' (sick pay, old age pensions, health and education provision, etc.) were the responsibility of 'local or enterprise funds', this would generate an intolerable degree of inequality in such provision. I make no such suggestion. They are, in the main, financed out of national taxation. They would continue so to be.

Welfare and gender

I argued that the list of items provided free (i.e. health, education, etc.) may be not much longer than we now have in Western Europe. Frankel explodes: 'I should bloody well hope so', but on closer examination this turns out to mean that expenditures on the items on my list would be much higher, which is a slightly different point, with which I agree. This would cause a budgetary problem, true, but this would be so whatever kind of socialism one has in mind, unless national output rises sufficiently to make this redistribution less onerous, or unless there is 'abundance'.

Market socialism is said to imply 'gender discrimination'. This seems to be linked with the question of 'unpaid services' (does he mean payment for housework: by whom?). The market, argues Frankel, generates sex inequality: to redress the balance 'would cost more, perhaps reduce or seriously disrupt production, threaten enterprise profitability', etc. etc. Dear me! In his imagined socialist society, are women really going to be so much more costly and less efficient than men? I agree that there is a tendency for typically female occupations to be paid at lower rates, and the fact that this is so to virtually the same extent in the USSR as in the West suggests that 'the market' is not solely to blame. This is a complex question, and Frankel does agree that 'democratic central planning' is consistent with 'serious obstacles for full gender equality'. Much depends on human attitudes (the same applies to racism). My own belief is that 'market socialism' will create more problems through inequality between productive units than between men and women, and that the centre will have a tough time trying to redress such imbalances: being composed of human beings with interests and feelings, the state may be unable to do this effectively. But this would apply to Frankel's state too.

Unemployment, autarky

I agree that unemployment could present a big problem. It should be possible to draw up 'rules of the game' (via taxes and subsidies) which can discourage excessive labour-saving, but the centre and local authorities may still have a major task in providing work for those without it. There is also no dispute at all about the importance of ecology. Or about the hope that we shall not continue to be obsessed with growth - though the greater the consciousness of unsatisfied needs, the greater the pressure to satisfy them. Larger welfare payments do not only present a public-finance problem: the recipients will wish to spend them on goods and services.

I shall say nothing about 'military-industrial complexes', important as they are in the world today, because they have no place in a 'feasible socialist' model. Much more relevant is the issue of autarky. Frankel favours limiting international trade, and in doing so follows (perhaps unconsciously) in the footsteps of Kautsky, who also believed that each socialist country should achieve maximum self-sufficiency, keeping trade to a necessary minimum (e.g. Germany will not grow bananas). This is a variant of 'small is beautiful' applied to planning, but ignores the resultant loss. Why should an imaginary socialist EEC 'result in planned deindustrialisation'? Why should a largely self-sufficient Britain (and the Netherlands, Norway, Sweden ... Luxembourg too?) do better separately than together? Why consciously aim for impoverishment by failing to take advantage of the international division of labour where economies of scale, or natural conditions, can yield substantial returns? Adverse effects on consumer choice (from food to skirts and cameras) and on industrial costs would be severe. How then is Frankel proposing to finance his vastly improved welfare payments? Also, what sort of internationalism is this? What effects would it have on potential customers and suppliers, not least in the third world? He is evidently mesmerised by the existence today of multinational corporations. He deplores industrial specialisation, though why should this be? Right now some components for Volvo cars are made in Britain and assembled in Sweden, while others are made in Hungary and supplied to the Lada factory on the Volga. In the name of what principle, socialist or other, should such arrangements be disrupted, if they are cost-saving and efficient? Is it not desirable to save costs, unless there is some weighty reason to the contrary? Unnecessary improverishment is not a virtue. Yes, there could indeed be 'expansion of markets beyond national boundaries'. Why not? In Frankel's world I can foresee that the most lucrative trade will be one of smuggling...

Politics and police

Lastly, politics. Yes, my model has some political question-marks, but Frankel's rhetorical questions still puzzle me. Why should the coexistence of different forms of ownership and control make it especially difficult to devise political representation? Why should workers who choose to work in centrally-planned institutions (whether these are power stations, railways or a welfare office) not 'tolerate directions from the centre'? Most of us 'tolerate directions' from someone. I did not say that central planning 'created' one-party dictatorship in the USSR; the one-party dictatorship created central planning, but the two go together and reinforce each other. I did not 'naively assume that the market mechanism equals pluralism'. Quite obviously there are and have been vicious despotisms with a market mechanism, so it cannot be a sufficient condition, and I frequently say so (e.g. in Feasible Socialism, page 7, and again on page 195). Brus has several times made the same point.

Finally, the 'socialist police'. It is not quite clear to me why it would be necessary to repress 'unemployed, feminists and ecologists' in a democratic society of the kind I was envisaging, but of course political pluralism may indeed give rise to political conflict. Freedom to organise to pursue sectional interests (including via trade unions) might lead to strife, but this does not really depend on whether the market plays a big role in everyday economic life. My point was that police would be needed to prevent it from playing such a role, in realistically envisageable conditions.

But these are not really the essential points. What is lacking is Frankel's real alternative. I would be happy to comment on his model, when he has one.

Nove and Frankel on Unproductive Labour

Chris Arthur

Both Alec Nove and Boris Frankel spend a good deal of time on attacking or defending Marx's distinction between productive and unproductive labour. This is surprising, considering that the debate is supposed to be about socialism. This highly technical distinction drawn in Capital is irrelevant as far as I can see. Capital, remember, is about capitalism, not about socialism. Frankel insists loudly that such an analysis is relevant but when he discusses socialism his main interest is in the distinctions waged/unwaged, free charged. These are important topics to look at in the transition to socialism but the debate on productive labour in capitalism seems beside the point. Some other distinction might usefully be drawn, as Nove does, but it should not be confused with this one.

Nevertheless, it is an important question in its own right and I would like to make some comments on it.

(a) Marx defines productive labour as that labour which exchanges against variable capital in order to produce surplus value. All productive labourers are exploited therefore. No self-employed producer of goods or services is a productive labourer. Nove drags in a 'quip': a prostitute who works on her own is unproductive but one exploited in a whorehouse is productive. This is no 'joke' but an intended consequence of Marx's theory. (He gives the case of a similar profession in Capital Vol.1 - Penguin edition p. 644). Although the service is the same, the relations of production are different - hence a different economic category applies. Nove may not be 'enamoured of the distinction', but it is essential to Marx's project. However, this 'joke' is a red herring. Nove's intended argument at this point is designed to establish that all exploited workers, including those in the sphere of circulation, are productive labourers. I expand on this below: in (c).

(b) Nove and Frankel confuse the distinction productive/unproductive with that between goods and services. This last is quite different and completely irrelevant. The whorehouse prostitute above is productive even though she offers services rather than goods. See Marx's Theories of Surplus Value for his discussion of Smith's 'two definitions'.

(c) Marx's concepts form a hierarchy from more to less inclusive. At its simplest we have three levels: (a) production of goods (including services) requires useful labour; (2) production of commodities requires value-creating labour; (3) production of capital requires creation of surplus-value.

Now, productive labour applies only to level three. Even here we have to notice that not all wage workers employed by profit-making capital are engaged in productive labour because Marx excludes those employed by capital in circulation in so far as we are dealing with purely circulatory employments - such as realisation and transfer of values, and not transportation.

I sympathise with Nove when he questions this exclusion. Marx's view has the very strange consequence that the shop assistant in Marks and Spencer does not create value, and therefore not surplus value, for the employer. Revenues of both sides are ultimately to be derived from surplus value generated in 'the productive sector'. But Marx had good reason to exclude circulatory employments and the matter needs careful consideration.

I will first give a counter-argument to Marx and then readdress his position.

Marx's argument for excluding advertising agents, shop assistants, bank clerks, etc. is that their sector does not produce value but realises it. A fortiori, their labour does not produce surplus value and hence is not productive in the sense defined above. But should not this distinction be taken more dialectically? Value is not really produced until it is realised because value necessarily appears only as exchange value. Hence, given this is a value producing economy, the labour of realisation is an absolutely necessary moment of the circuit of capital.

It should be noted that Marx cannot rely on the claim that productive labours are in some sense necessary to any economy while the labour of realizing value is necessary only in a capitalist economy. We have already stressed the point that productive labours are defined in terms of their social form, namely labours exchanged against capital (variable capital to be precise). Domestic labour, for example, does not count (even as value creating) although necessary in all economies. Marx does not provide an asocial naturalistic definition which could serve as a criterion to evaluate various modes of production.

(d) It might seem that Marx failed to follow through the consequences of his own anti-naturalistic definition. Let us have a closer look. We must remember that his enemy was the money fetish. People really believed that wealth is created only by moving money around. Marx is very fierce about this. Moving money around cannot account for the origin of the surplus accumulated. This must arise somewhere else before it can be (mis)appropriated by Mr. Moneybags. So circulation realises but does not create surplus-value. But it seems possible to introduce a distinction between distributing values - e.g. Marks and Spencer (or redistributing them, e.g. estate agents. NB: in this last case the powerful effects of misplaced materialism: the guy does not build houses, but we forget that the transfer of me into your house and you into mine is a useful effect, so why should this service not be valued in exchange?), and parasitic circulatory activity such as property and commodity speculation, loan-sharking etc. Both look like M-C-M' but one is to do with realisation of what is produced whereas the other is mere windfall profit. The labour of realisation is a labour (ask the shop assistant) nonetheless, and one whose efficiency has a direct effect

on the profitability of the enterprise. It may be said that Stock Exchange speculators work hard. So they do - but their time has no necessary relation to profits. Particular difficulty for my suggested distinction arises when the same enterprise does both, e.g. a bank. Here I would still distinguish banking services, e.g. cheque collection, money issue, from their lending activity. The former could be run as a rational business. It is the latter that results in both sudden huge profits and equally sudden collapses. It follows from the above that shop assistants and bank clerks count as exploited. The service (of realisation) they provide to the producers is a labour-time which itself generates value, realised at the same time as the original value (this sounds confusing but is exactly analogous to factory labour adding and transferring value) on behalf of the employer: and yet they get just the standard wage, provided from variable capital by, e.g. Marks & Spencer.

(e) Frankel makes the extraordinary claim that we do not see in this sphere constant attempts to extract higher rates of absolute and relative surplus value. This is just what we have seen. For a long time there have been constant struggles over the length of the working day ('bank' holidays - shop-hours legislation) and more recently decisive transformations in socially necessary labour-times (supermarket check-out systems, automatic bank tellers). Frankel also accuses Nove of inconsistency: 'on the one hand he believes that everybody employed by a private firm produces surplus value, yet on the other hand, he wishes to reject the distinction between the production of value, and non-value work.' It is quite consistent and indeed necessary to do both together. Obviously, if Marks & Spencer are to produce surplus value we must first extend the concept of value-production to the labour of shop assistants. There still remains non-value work in public service - but Nove accepts this.

Frankel also argues, in effect, that the labour of realising values depends on the prior production of those values. Hence there could not be a capitalism with estate agents but no builders, shops but no factories, banks but no businesses, and so forth. This seems a striking argument until one remembers that no one is claiming otherwise. There could not be consumer goods industries without so-called capital good production. Would Frankel therefore say the former are unproductive? More importantly, one can simply reverse the argument. Production is not possible without circulation, albeit that the advertising industry could be cut down drastically (why does British Telecom, a monopoly supplier of an essential service, advertise at all?). The point is that all economies must be balanced, with appropriate investment in all essential sectors. In a capitalist economy, the circulation of values is an essential sector - not just in the sense that the police are essential but to the internal moments of the self-valorisation of capital.

(f) Let us now look at the argument from Marx's point of view. The best review of Marx's discussion of 'productive labour' is by I.I. Rubin: Essays on Marx's Theory of Value - last chapter. He explains that Marx distinguishes between capital in the phase of production (including transportation) and capital in the phase of circulation in its purely formal sense (transfer of ownership), and that he applied the term 'productive labour' only to the former phase of the reproduction process. (Incidentally, Nove says Rubin disagrees with Marx. Please could we have the reference? The truth is that on this question Rubin stoutly defends the cogency of Marx's distinction against Bazarov and Bogdanov.)

What still requires justification is the concentration on the moment of production, especially when this means other employees of capital get excluded from the status of productive labourers. Nove says that they are surely exploited. To get at Marx's reason, we have to observe that just as Marx was not much interested in a price theory, neither is he, in a sense, interested in exploitation. Capitalism has always been exploitative, and it is not necessary to write Capital to demonstrate this. The point is that if the class contradiction is to become explosive it has to result from the intensification of the contradiction which develops over time between the relations and forces of production, itself depending on developing contradictions in the capital relation itself which block capital's capacity to continue to 'deliver the goods'. Marx is interested above all in the destiny of capitalist accumulation. All his theoretical constructions are organised around this. From this point of view a narrow definition of productive labour may be justified on the ground that capital, employed in formal circulation, even if apparently analogous to the actual production in their employment of wage labour, are dependent on the dynamic of capitals employed in the productive sphere. That is to say, although the labour of realisation is not just objectively necessary to the mode of production but is an internal moment of the circuit of capital and can be the site of specialised capitals with their own variable capital expenditure - even given all this- it is still different in that it is concerned with realising already produced values. The question about the ultimate destiny of capitalism could therefore be reduced to what happens in the production of those values. Although it can be more or less efficient, the realisation sector ultimately must take second place to the dynamic of production. For example, in an ideal logical model it is perfectly possible to set formal circulation time at zero and capitalism still exists. But to set production time at zero would disintegrate the value relation. (From another point of view what we have here is a methodological problem arising out of a discrepancy between individual and total capital.)

Given Marx's interests, namely in the ultimate destiny of capitalism, he could justify his exceedingly narrow definition. By the same token it is irrelevant to a society not governed by the dynamic of capital accumulation. After all, in socialism the definition of wealth itself is very different.

Radical Philosophy Mea Culpa section

First of all we have to tell our eager readers that the 'Radical Philosophy Reader' is being delayed through no fault of our own and that Verso should have it on the streets by the middle of April. To those of you who have already ordered it we can only say that the minute we receive it we will dispatch it to you. Maintain your patience! Next we have to confess to some gremlins in RP38: somehow Summer 84 appeared on the front and Spring 84 on the back. Both should have read Autumn 84. Various other gremlins were mainly due to the haste of production. This issue puts us back on schedule and we hope to avoid further problems.

PS: All cheques should be made out to 'Radical Philosophy Group'.

Radical Philosophy always welcomes contributions. We hope in the near future to publish articles and discussions which bear on questions of social theory, on aesthetics and on the relationship between feminism and philosophy. We would like to encourage anyone with an interest working in these areas to submit material, including shorter pieces of comment and discussion as well as longer articles. And we welcome, of course, all contributions relevant to the general concerns of Radical Philosophy.

Some of the cartoons this issue are once again from the Turkish newspaper *Cumhuriyet* — Turkey's sole remaining liberal daily.